

Transportation Issues

October 23, 2013

Director Kirk Steudle

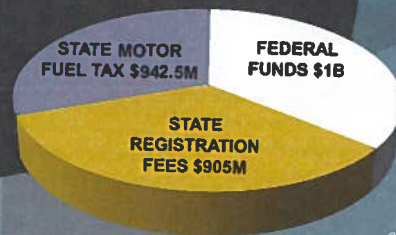


Michigan Department of Transportation

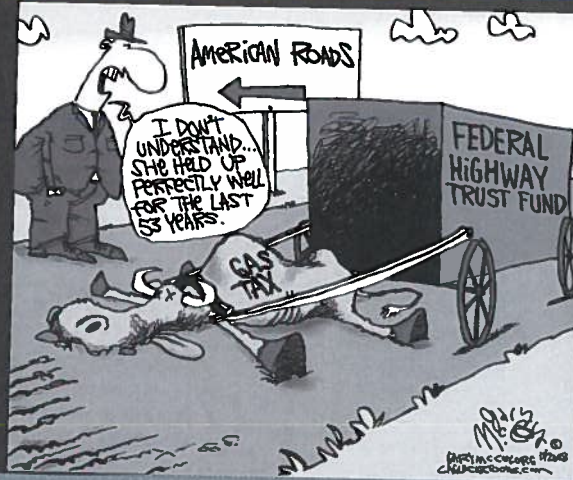
Customer Survey: www.michigan.gov/mdotsurvey

Transportation Funding

- Transportation is funded with “user fees”
 - Federal funds from federal gas tax: \$1 billion
 - Includes \$250 million to local agencies
 - State motor fuel taxes: \$942.5 million
 - State vehicle registration fees: \$905 million



Like prior transportation bills, MAP-21 relies on the Highway Trust Fund—the backbone of Federal surface transportation funding since 1956.

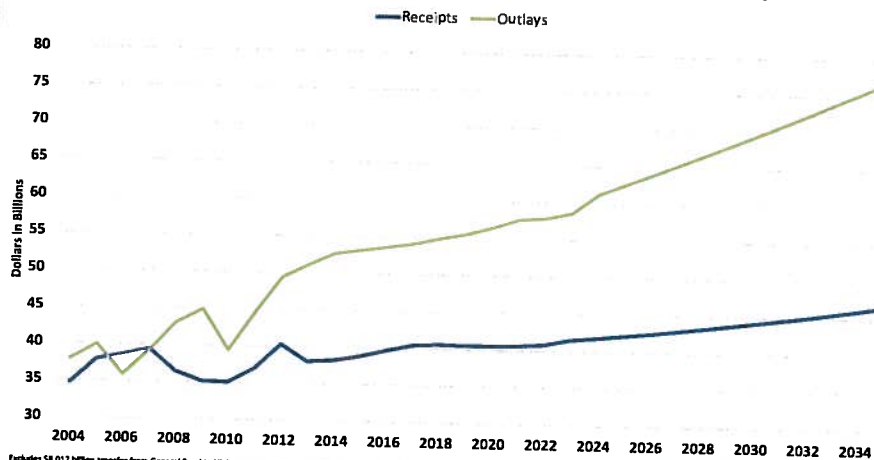


Source: Gary McCoy, CagleCartoons.com

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Outlays will outpace receipts by about \$15 billion per year and more for a foreseeable future.

Highway Trust Fund Receipts and Outlays Discrepancy



Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2006; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010; \$2.4 billion transfer from Leaking Underground Storage Tank Trust Fund to HTF in July 2012; \$6.2 billion transfer from General Fund to Highway Account of HTF in FY 2013; \$10.4 billion transfer from General Fund to Highway Account of HTF in FY 2014; \$2.3 billion transfer from General Fund to Mass Transit Account of HTF in FY 2014.

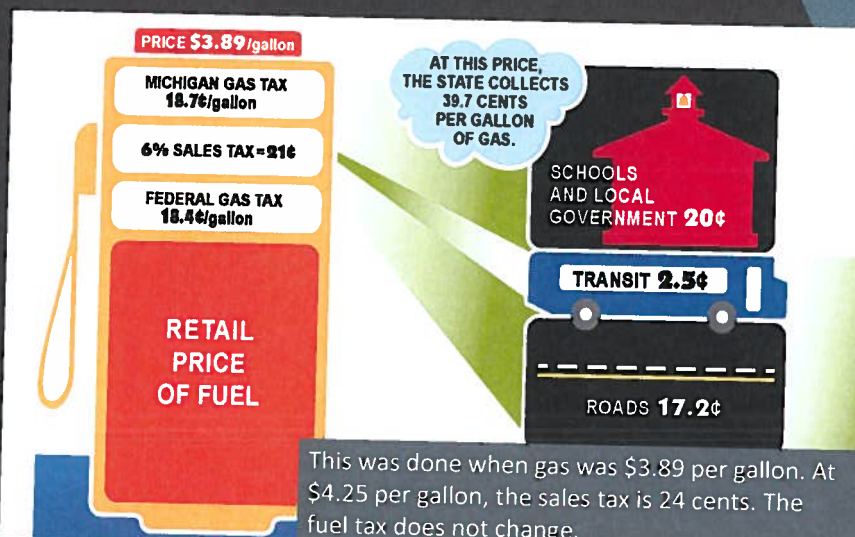
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Funding Distribution

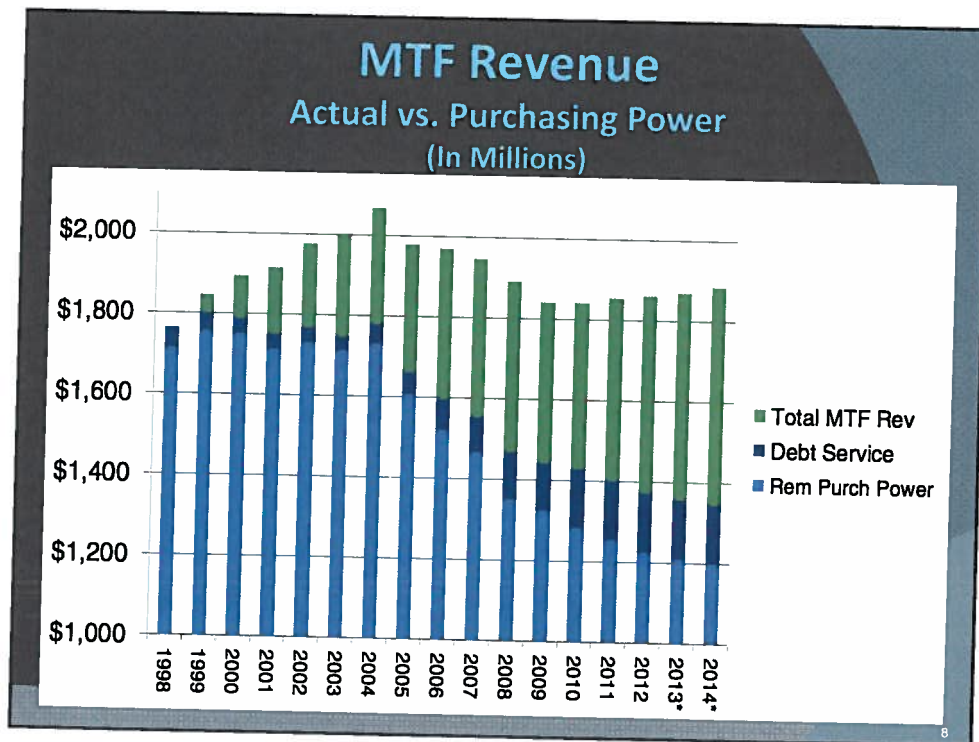
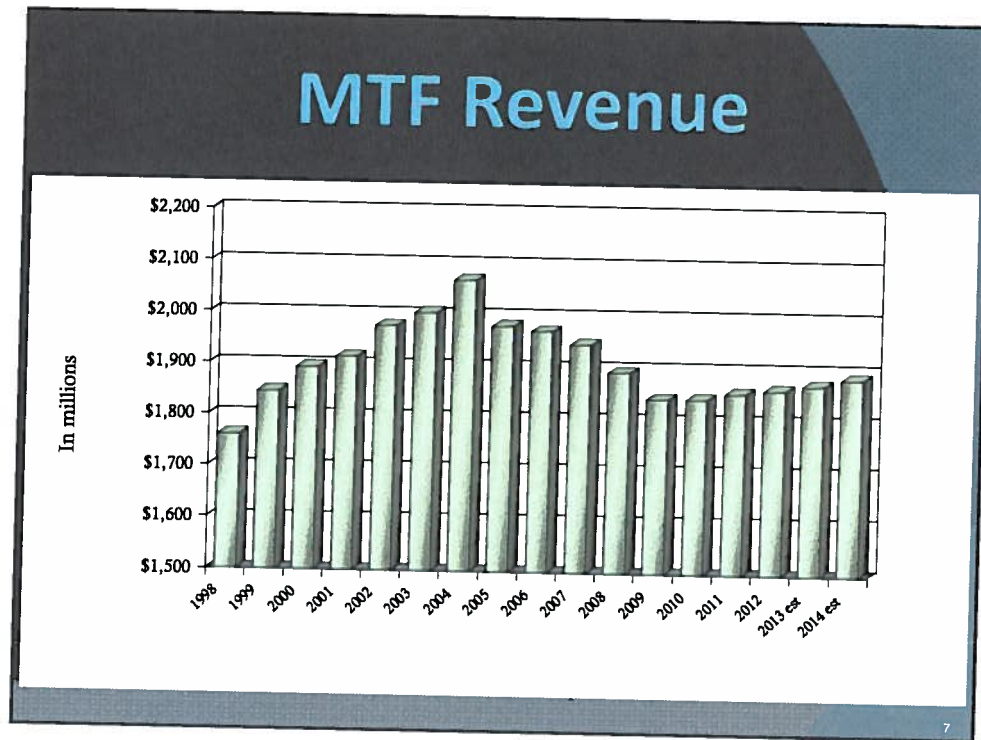
- After various off-the-top deductions, Public Act 51 of 1951, requires funds be distributed:
 - No more than 10% to Comprehensive Transportation Fund for bus, rail, marine modes
 - Of the remaining 90%:
 - 39.1% to State Trunkline Fund
 - 39.1% to 83 County Road Agencies, based chiefly on "route" miles and population
 - 20.8% to 535 cities and villages based chiefly on population

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What You Pay at the Pump



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MDOT Efficiencies

- Savings: \$63m per year over 5 years
 - Closed facilities
 - 15% of positions left vacant
 - Refinance debt
 - Electronic signature
 - Energy retrofits
 - Leveraging Partnerships
 - Many other cost-saving innovations



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Saving MDOT and our Partners Time and Money

- E-Project
 - Preliminary estimated savings from 1st pilot project:
 - \$185k (total paper, printing, mail, etc.)
 - 170,000 pieces of paper (all parties)
 - 150,000 days of mail time
 - Incalculable time savings
 - Contractor interest, bonding, etc.
 - Contracts completed faster
 - Projected out to entire MDOT construction program, equates to \$7.5M savings in measureable fixed overhead costs for all stakeholders

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Saving MDOT & Taxpayer Money

- Refinanced \$10.7M of CTF bonds for interest savings of \$917,040 over remaining life of bonds
- Cost savings from office space consolidation equals \$729,514/year
- Shortened procurement document review from transit agencies receiving federal funds from 4 weeks to 2 weeks
- Helps get money into local & state economies more quickly

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Saving MDOT and Motorists Time & Money

- Saved \$3.6 M on Z-bridge project during 1st year utilizing CM/GC process, completion scheduled for late 2014
- Tow plow usage during winter months reduced labor & equipment costs by 30%
- Over the life of a project on I-94, \$11.6M in User Delay Costs was saved by using Precast Concrete material
- Precast Concrete is also expected to last three times longer than standard concrete repairs



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Fiscal Year 2013 Budget

- \$100 million Sales Tax Redirected to the STF to match federal funds
- \$10 million Sales Tax Redirected to the SAF to match federal funds
- \$12 million GF/GP appropriated for Transit Capital federal match
- \$11 million GF/GP Appropriated for Rail and Infrastructure federal match
- The total of \$123 million (one-time funding) allowed MDOT to fully match federal aid

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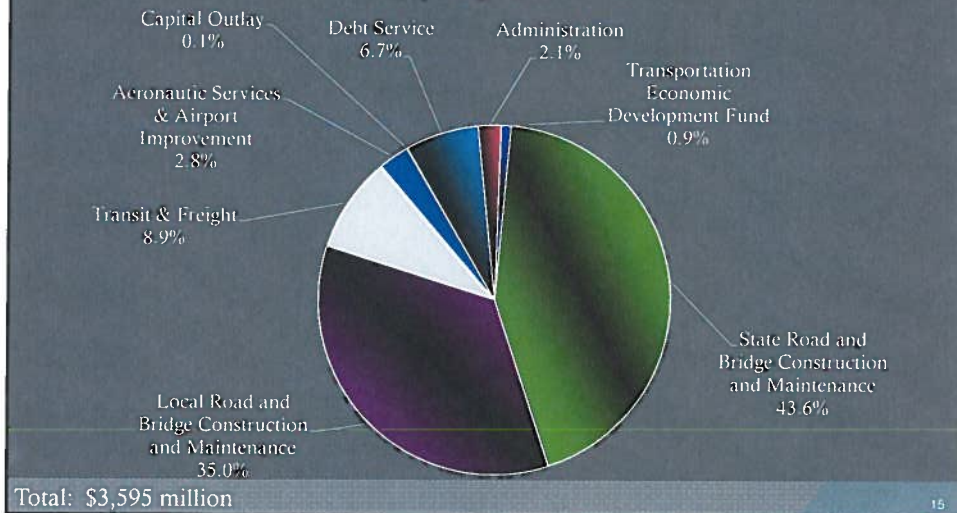
Fiscal Year 2014 Budget

- \$120 million to STF to match federal funds
- \$115 million for Roads and Risks Reserve Fund in October, another \$115 million in February
 - A total of \$230 million to accelerate programmed preservation work
- This is just a down payment on the \$1.5 billion per year additional investment needed

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FY 2014 MDOT Budget

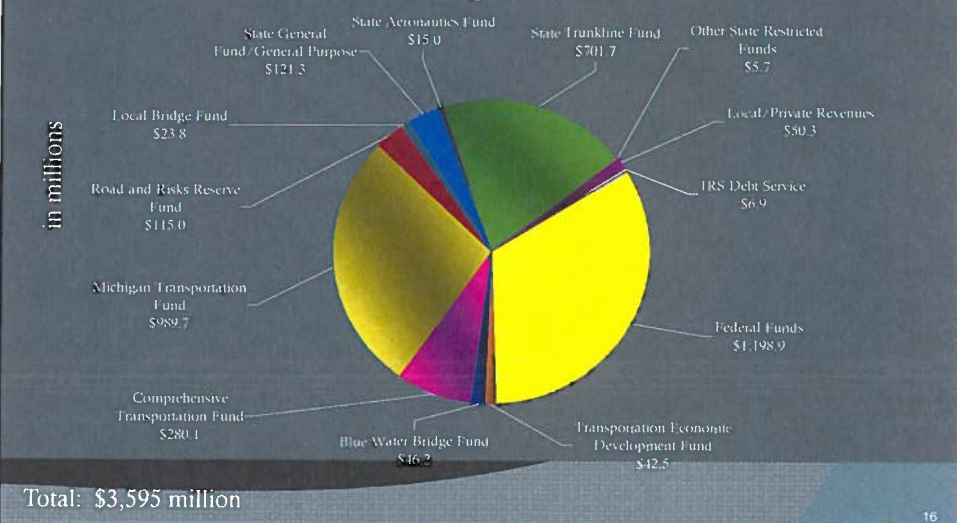
Appropriations



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FY 2014 MDOT Budget

Funding Sources



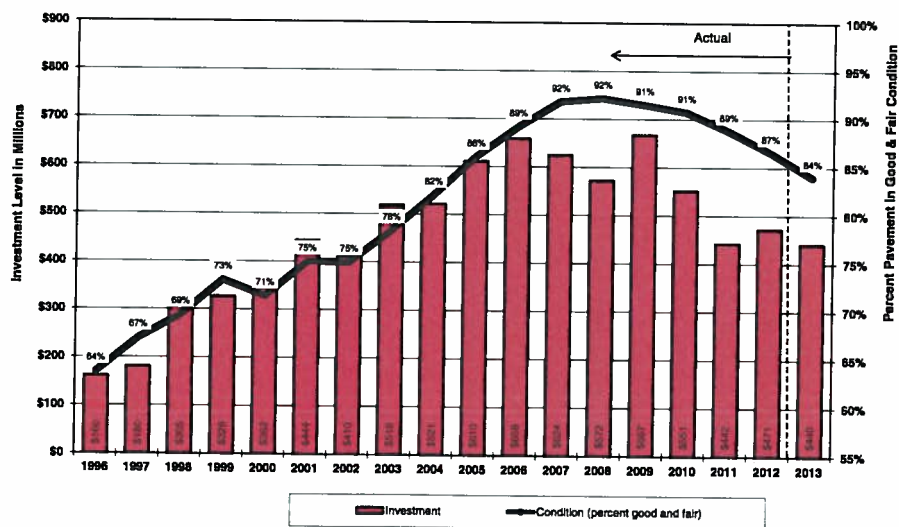
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Improvements of Road & Bridges

	FY 2013 (actual)	FY 2014 (programmed)
Road Repaired – Route Miles	1,068	651
Bridges Repaired – number of bridges	178	126

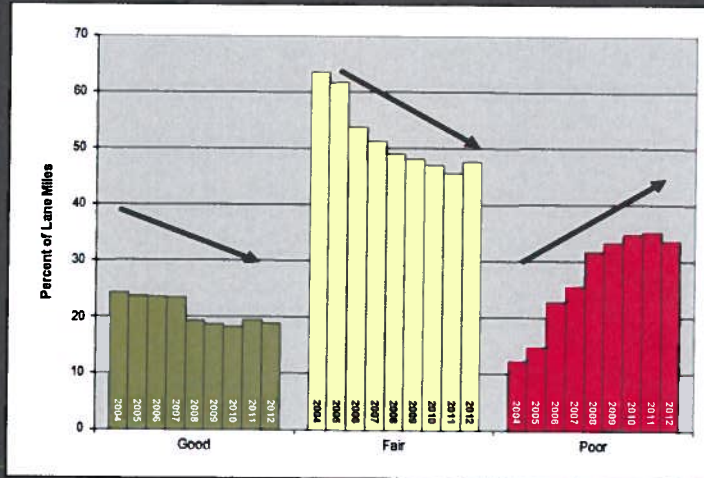
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Michigan Department of Transportation Pavement Program Investment Level vs. Actual Trunkline Pavement Condition



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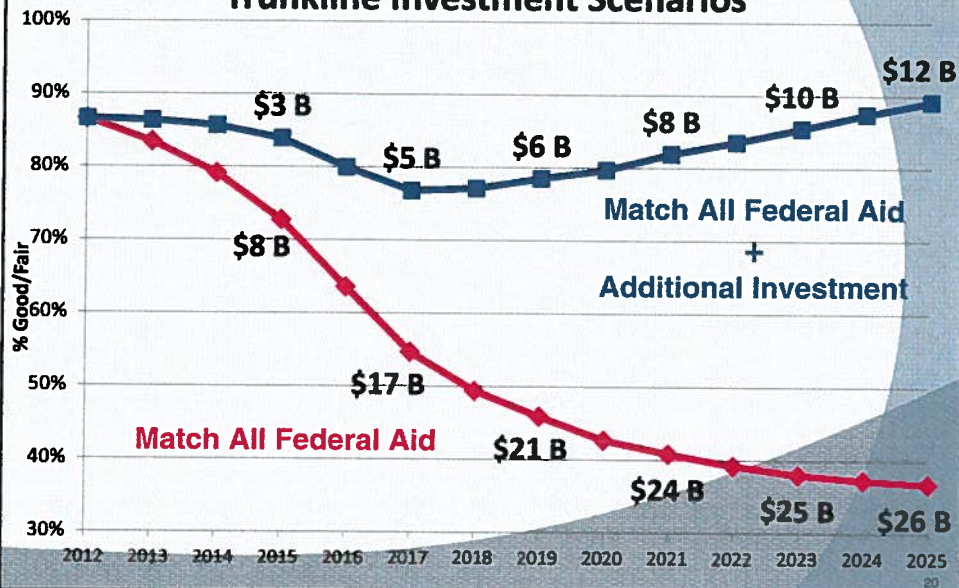
Road Conditions Getting Worse



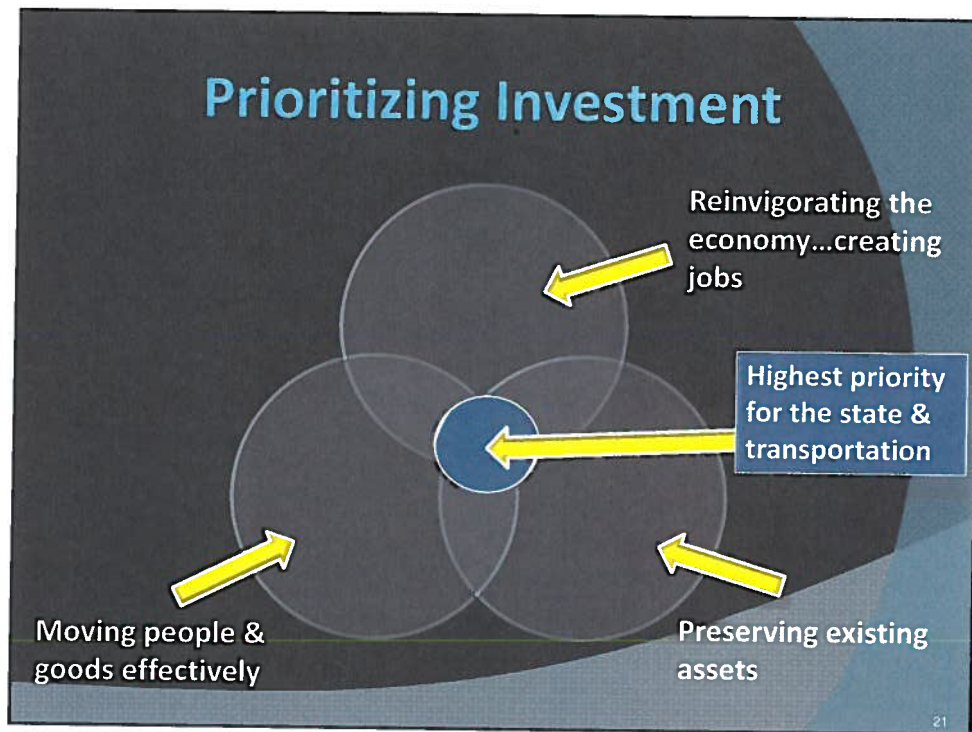
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Pay Now or Pay More Later

Trunkline Investment Scenarios



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Questions?

MDOT

Better.Faster.Cheaper.Safer.Smarter

Customer Service is Important
Please take our customer survey:
www.michigan.gov/mdotsurvey

Michigan Department of Transportation Overhead Rate Calculation

October 23, 2013

The Michigan Department of Transportation (MDOT) charges for products and services it provides to others. Recently, there have been questions about a new rate applied to one small service, traffic signal maintenance, provided by MDOT. In order to be more accurate in cost accounting, MDOT engaged an independent consultant, Maximus, to perform a cost allocation study and update the indirect cost rates (overhead rates) used to invoice work performed for other entities. Previously, MDOT used an unsupported rate of 7.5 percent. MDOT implemented a 39.94 percent rate for work MDOT staff performs on highway maintenance and 7.65 percent when overseeing maintenance work performed by contractors. Rather than the traditional arbitrary rate, MDOT chose to use a new rate based on a study by Maximus.

The new rates developed used generally accepted accounting practices for allocating administrative and overhead costs. Allocations of costs for central services such as finance, executive administration, and purchasing/accounting; as well as highways central office, and regional operations were used to develop the overhead rate for maintenance activities. Separate rates were developed for maintenance, construction, design, real estate, and traffic & safety activities as shown below.

MDOT OPERATIONS INDIRECT COST RATES												
Maintenance activities performed by MDOT Staff	Construction activities performed by MDOT Staff	Design activities performed by MDOT Staff	Real Estate activities performed by MDOT Staff	Traffic and Safety activities performed by MDOT Staff	MITS activities performed by MDOT Staff	Maintenance activities performed under contract	Construction activities performed under contract	Design activities performed under contract	Real Estate activities performed under contract	Traffic and Safety activities performed under contract	MITS activities performed under contract	Support for Local Projects
39.94%	39.44%	71.84%	47.18%	50.61%	24.33%	7.65%	5.73%	10.78%	12.71%	20.98%	16.29%	6.71%

The rate in question applies to a specific, narrow, category of services and not to all work between counties and MDOT. MDOT cost for providing maintenance on traffic signals that was billed to local agencies was approximately \$200,000 in FY 12. Although the statewide total is minor, the department recognizes local agencies with small budgets will be affected by even small increases. In FY 12, if the new rate of 39.94 percent were used rather than 7.5 percent, the increased overhead charges would have been less than \$60,000 on these invoices statewide.

MDOT will use the updated overhead rates on invoices for work performed for traffic signal maintenance/repair, and other services billed from a Memorandum Job Report (such as general maintenance, guardrail repair, and tree or sign removal). MDOT will not apply the overhead rate on traffic signal energy billings, road and bridge project billings, or equipment and maintenance advances.

The overhead rates are used to invoice local units of government as well as other billings, such as to recover overhead costs from insurance companies for damage claim repairs. As for the rate itself, any discussion or comparison of rates has to include a discussion of assumptions or factors in the rates being compared. Unless the factors are the same, the comparisons are flawed. MDOT's action has been compared to what is allowed in the State Trunkline maintenance contract with counties. The contract allows three different overhead rates the county can charge MDOT: 8.5 percent Unsupported Rate, Act 51 Report Calculated Rate – No Audit, or Actual Overhead Rate – Subject to Audit. In addition, the contract allows for equipment rate and materials handling rate. MDOT, in contrast, is applying only one overhead rate to reflect indirect cost. Comparisons between rates would be difficult given the different cost assumptions.

MDOT met and agreed with Senators Boohar and Pappageorge, Representative Potvin and CRAM to send correspondence to the local units of government explaining the new rate. A letter has been mailed as promised. MDOT has committed to provide better communication in the future. MDOT is in the process of updating these rates and anticipates using the revised rates in January of 2014. We will notify local agencies of the new rate prior to the change.